PATENT APPEAL

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Appellants: Jay S. Walker, Daniel E. Tedesco

Application No.: 09/219,267

Filed: December 23, 1998

For: METHOD AND APPARATUS FOR FACILITATING ELECTRONIC COMMERCE THROUGH PROVIDING CROSS-BENEFITS DURING A TRANSACTION

Group Art Unit: 3622

Examiner: J. Myhre

APPEAL BRIEF

Attorney Docket No. 98-109

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Dated: February 14, 2003 By: Michael Brinton

BOARD OF PATENT APPEALS AND INTERFERENCES
Assistant Commissioner for Patents
Washington, D.C. 20231

Dear Sir:

Appellants hereby appeal to the Board of Patent Appeals and Interferences from the decision of the Examiner in the Final Office Action mailed February 14, 2002 (Paper No. 19), rejecting claims 1 - 64.

REAL PARTY IN INTEREST

The present application is assigned to Walker Digital, LLC, 1177 High Ridge Road, Suite 128, Stamford, CT 06905.

RELATED APPEALS AND INTERFERENCES

No other appeals or interferences are known to Appellants, Appellants' legal representative, or assignee which will directly affect, be directly affected by or have a bearing on the Board's decision in the pending appeal.

STATUS OF CLAIMS

Claims 1 - 64 are pending in the present application and are being appealed.

Claims **1, 2, 5 - 9, 15, 16, 18, 19, 42 - 45, 49, 51 - 54, 62 and 64** stand rejected under 35 U.S.C. § 102(e) as anticipated by U.S. Patent No. 5,721,827 to Logan et al ("Logan").

Claims **10 - 14, 29 - 32, 55 - 61 and 63** stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Logan.

Claims **3, 4, 17 and 33 - 40** stand rejected under 35 U.S.C. § 103(a) as being unpatentable over a combination of Logan and U.S. Patent No. 5,636,346 to Saxe ("Saxe").

Claims **20 - 28, 41, 46 - 48 and 50** stand rejected under 35 U.S.C. § 103(a) as being unpatentable over a combination of Logan and U.S. Patent No. 5,515,270 to Weinblatt ("Weinblatt").

STATUS OF AMENDMENTS

No amendments were filed subsequent to final rejection.

SUMMARY OF INVENTION

Embodiments of the present invention enable a customer who is purchasing or willing to purchase an item from a first merchant (e.g., via a web site) to receive a benefit (e.g., a reduced price on the item).

A merchant receives an indication of items that a customer is to purchase. The indication may be, for example, a signal indicating that the customer is ready to "check out" his shopping cart of items on the web site. In response, the merchant server provides an offer for a benefit from a second merchant. The offer is provided before the items are purchased, and thus the offer is not provided unless and until the customer has manifested an intent to make a purchase from the first merchant. A response to the offer is received from the customer. If the response indicates acceptance of the offer, then the benefit is applied to the items purchased. For example, the total price paid for the items may be reduced, or the items may even be provided to the customer without charge.

In various embodiments of the invention, the customer in exchange for the benefit agrees to participate in a transaction with the second merchant. For example, the customer may be required to switch service providers (e.g. long distance telephone service) or initiate a new service agreement (e.g. sign up for a credit card account).
(Present Application, Summary of the Invention, page 3, line 22 - page 4, line 13)

ISSUES

Whether claims **1, 2, 5 - 9, 15, 16, 18, 19, 42 - 45, 49, 51 - 54, 62 and 64** are unpatentable under 35 U.S.C. § 102(e) over Logan.

Whether claims **10 - 14, 29 - 32, 55 - 61 and 63** are unpatentable under 35 U.S.C. § 103(a) over Logan.

Whether claims **3, 4, 17 and 33 - 40** are unpatentable under 35 U.S.C. § 103(a) over a combination of Logan and Saxe.

Whether claims **20 - 28, 41, 46 - 48 and 50** are unpatentable under 35 U.S.C. § 103(a) over a combination of Logan and Weinblatt.

GROUPING OF CLAIMS

The claims do not stand and fall together.

Appellants group the pending claims as follows:

Group I -claims **1 -5, 7, 15 - 28, 33 - 43, 45 - 50**

Group II -claim **6**

Group III -claims **8 and 9**

Group IV - claim **44**

Group V - claims **51, 52, 53 and 54**

Group VI - claims **62**

Group VII - claims **10 - 14**

Group VIII - claims **29 - 32 and 55**

Group IX - claims **56 - 60 and 63-64**

Group X - claims **61**

Appellants believe that claims in different groups are separately patentable, as explained in the following Arguments section.

ARGUMENTS

As will be explained, the Examiner's rejection of the claims is improper at least because the Examiner has failed to provide a prima facie case of unpatentability of any claim. The Examiner has not shown all limitations of any claim to be disclosed or suggested by the references. Also, various rejections are based on improper combinations of the references without adequate reasoning or support for making the proposed combinations.

Further, the cited references, alone or in any combination, cannot be interpreted in a manner that would disclose or suggest the limitations of any pending claim.

Therefore, Appellants respectfully request that the Examiner's rejections be reversed.

1. The Claims of Group I are Allowable Over the Cited References

1.1 Independent Claim **1**

Independent claim **1** is directed to a method in which there is received an indication of at least one item that a customer is to purchase from a first merchant via a web site.

In response to the received indication, an offer for a benefit from a second merchant is provided to the customer. For clarity, it is worth noting that applying such a benefit may be embodied as, for example, reducing a price of the at least one item (dependent claim **19**), providing the at least one item to the customer without charge (dependent claim **28**), and providing the customer with a product upgrade for no additional cost (Present application, page 6, lines 16 - 18).

This offer is provided *before* the at least one item is purchased, but *in response to* the indication of the item the customer is to purchase. A response to this offer is received from the customer. If the response indicates acceptance of the offer, the benefit is applied to the at least one item.

1.2 Advantages of Independent Claim **1**

By presenting such offers only *after* a customer is to purchase an item, the merchant may reduce the chance that customers will merely "bargain shop" for lower prices, rather than actually make purchases. (Present application, page 6, lines 13 - 15) Another advantage of providing such offers only *after* a customer is to purchase an item is that the customer can feel that she has been rewarded for committing to a purchase with the first merchant. By contrast, a discount or other benefit which is offered to all customers before they are to purchase an item seems less valuable by comparison as it is offered to all.

Also, in embodiments where such offers are provided only *after* a customer is to purchase an item but *before* the item is actually purchased (e.g., during checkout), the customer clearly will be more likely to accept the offer. The customer is about to endure the "pain" of paying herself, and thus *at that moment* the possibility of avoiding this pain is more alluring.

An offer for a benefit *from a second merchant* is advantageous because, but for the offer via the first merchant, the second merchant would not otherwise have had the opportunity to interact with the customer. Consequently, this new opportunity creates economic value for the second merchant.

An offer for a benefit *from a second merchant* is advantageous because the second merchant has its own economic value to inject into the transaction in excess of the economic

value the first merchant has. This is so because the second merchant receives economic value from the opportunity to interact with and / or possibly acquire the customer. This economic value may represent, e.g., the $50 that the second merchant typically pays to acquire a new customer through direct mailing and other low-yield advertising. Part of this economic value may be used to benefit the customer and / or the first merchant, as well as the second merchant.

The method of independent claim **1** can facilitate the advantageous use of the acquisition budgets of various service providers to facilitate electronic commerce. A customer that is purchasing items from a first merchant may be paid by a second merchant, so that the customer pays a reduced price, including nothing at all, for his desired items.

The method of independent claim **1** can facilitate arrangements where the customer may, e.g., sign up or agree to sign up for a service that is provided by the second merchant. (Present application, page 6, lines 2 - 6) Since many service providers are willing to pay significant amounts of money (e.g. often $50 to $200) to acquire a new customer, the ability to acquire a customer by essentially "intervening" in a sale between others can benefit all parties involved. The customer is benefited by the reduced price of his items, the first merchant is benefited by the increased sales that such an arrangement would bring and / or happier customers, and the second merchant is benefited by the acquisition of a customer. (Present application, page 6, lines 7 - 12)

An offer for a benefit *from a second merchant* provided only *after* a customer is to purchase an item but *before* the item is actually purchased is advantageous because the customer perceives the second merchant to be helping the customer out, thereby creating goodwill with the second merchant. By contrast, an offer for a benefit from the first merchant (i.e. the merchant the customer is currently to purchase from) might be less enthusiastically received by the customer. The customer could be suspicious of the motives (e.g., "Why would this merchant only now lower my price") and / or confused by the apparent change (e.g., "I thought I was buying items X and Y for $85. What has changed?").

It is advantageous that the customer must provide a *response to the offer*. The customer feels more tied to both the transaction and to the second merchant. By contrast, something which need not be accepted, like an advertisement, may be ignored by a customer, resulting in no benefit to the advertiser. For precisely this reason, advertising typically yields low returns to the

advertiser, and consequently advertisers are not willing to pay much at all for advertising segments.

1.3 The Logan patent

The Examiner has relied primarily or exclusively on Logan in all rejections of all claims. However, none of the references cited by the Examiner, either alone or in combination, disclose or suggest all of the limitations of any claim of Group I.

In summary, Logan discloses s system where a subscriber may pay for personalized content (e.g., sound files). The subscriber may also pre-arrange to have advertising presented in exchange for receiving credit.

Logan discloses that a host computer or server 101 communicates via the Internet with an audio player device 103 for the distribution of personalized information. (FIG. 1; Col. 2, lines 63 -67) The audio player 103 may be implemented by a conventional laptop or desktop personal computer. (Col. 3, lines 1 - 3) The host server 101 stores and maintains a plurality of data files, including among other things a collection of compressed audio program segments 131 and advertising segments 135, for transfer to the player device 103. (Col. 4, lines 15 - 27)

A subscriber who desires to invoke programming services must first supply personal information and initial programming preferences during an account initialization procedure (e.g., using a conventional web browser). After the account has been established, the server 101 then compiles one or more files for downloading to the subscriber at step 207 which include programming and advertising segments as well as additional data and utility programs needed by the player 103 to begin operation. (Boxes 203 and 207 of FIG. 2; Col. 6, lines 48 - 60; Col. 8, lines 42 - 60)

Subscriber billing is based on the accumulated amount of programming actually played by the subscriber with credit being given for advertising actually presented to the subscriber. (Col. 26, lines 53 - 56)

During account initialization, the subscriber may also indicate general preferences with respect to advertising, including an indication of the amount of advertising which is acceptable to

defray subscription costs, ranging from fully advertised programming for minimum subscription charges to the complete exclusion of advertising. (Col. 9, lines 5 - 11)

By expressly approving advertising segments or categories of acceptable advertising, the subscriber may be granted a rate reduction. (Col. 7, lines 60 - 65)

Utilizing a utility program, before a playback session begins the subscriber may alter the selection and sequence of program materials to be played, including altering the extent to which advertising will be played along with selected programming. (Col. 7, lines 12 - 21)

Also, at the conclusion of a playback session, the subscriber is given the opportunity to select programming which should be included in the next programming download. (box 217 of FIG. 2; Col. 7, line 66 - Col. 8, line 1)

Particular advertising segments may be directed to only those subscribers having a likely interest in the goods or services advertised. This targeted advertising need not be presented at any time during the playback for the designated subscriber and need not be timed for presentation with particular programs. For example, a subscriber indicating an interest in travel programming may be supplied with advertising from an airline at any time, and not necessarily concurrent with selected travel programming. (Col. 9, lines 41 - 50)

The utility program preferably provides an advisory indication to the subscriber of the charges or credits to be accrued if the currently programmed sequence is played. Subscribers may also set a player system variable to a value indicating the subscription costs per unit time that the subscriber is willing to accept, and the player 103 can then automatically insert advertising segments between program segments in sufficient quantity to achieve a net charge at the desired level. (Col. 9, lines 59 - Col. 10, line 5; Col. 10, line 63 - Col. 11, line 2)

1.4 No Interpretation of Logan Renders Any Claim Anticipated or Obvious

Therefore, as discussed in detail below, Logan does not disclose or suggest

receiving an indication of at least one item that a customer is to purchase from a merchant via a web site

Logan also does not disclose or suggest

providing, in response to the received indication, an offer for a benefit from a second merchant, the step of providing the offer being performed before the at least one item is purchased

No offers are provided in Logan, much less an *offer for a benefit from a second merchant*, much less an offer provided *in response to* an indication of at least one item that a customer is to purchase, much less provided *before* the at least one item is purchased.

Logan also does not disclose or suggest

receiving from the customer a response to the offer

Since there are no offers in Logan, there is no response to an offer. Nothing the subscriber does in Logan can be considered a *response to an offer.*

Finally, Logan also does not disclose or suggest

applying the benefit to the at least one item if the response indicates acceptance of the offer

Since there is no offer and no response in Logan, there is no applying *if the response indicates acceptance of the offer.*

The Examiner has proposed two possible interpretations of Logan in an attempt to contort Logan to "disclose" limitations of various claims, including claim **1**. Both interpretations fail to do so, and consequently the Examiner has failed to make a prima facie case of unpatentability.

(These limitations are likewise not disclosed or suggested by the other references of record, and the Examiner has not suggested otherwise.)

Of the two interpretations discussed below, only Interpretation A is used in the rejections. The second interpretation, Interpretation B, is also discussed below to illustrate that Logan does not in any way disclose or suggest any of the pending claims, and thus any new rejection utilizing Interpretation B would likewise be improper.

Appellants note initially that since Logan does not disclose or suggest various limitations of claim **1**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 1.2 "Advantages of Independent Claim 1". Accordingly, for at least those reasons, independent claim 1 is patentable in view of Logan.

1.4.1 Interpretation A of Logan

The Examiner relies on this interpretation of Logan in all rejections all the claims. The interpretation is specifically explained on page 3 of the First Office Action and again on page 3 of the Final Office Action.

In summary, the Examiner provides an erroneous interpretation of Logan as disclosing the *offer for a benefit from a second merchant* of claim **1**. This interpretation cannot be considered tenable in light of all of the limitations of any independent claim, including claim **1**.

Focusing on the first step of independent claim **1**, the Examiner asserts that:

> *receiving an indication of at least one item that a customer is to purchase from a first merchant via a web site*

is disclosed by Col. 18, lines 26 - 35 of Logan. This portion of Logan discloses that a subscriber selects and plays a program segment. Accordingly, the Examiner has interpreted the program segment of Logan to be the *at least one item that a customer is to purchase* of claim **1**.

The Examiner then asserts that the step:

> *providing, in response to the received indication, an offer for a benefit from a second merchant, the step of providing the offer being performed before the at least one item is purchased*

is disclosed by Col. 26, lines 53 - 59 of Logan. This portion of Logan discloses that subscriber billing is based on the accumulated amount of programming played by the subscriber, with credit being given for advertising presented to the subscriber. The Examiner also explains on page 14 of the Final Office Action that:

> "the user in Logan selects an item to purchase (music selection) and while the item is being downloaded an advertisement (offer) is presented to the user. The user does not pay for the item (music) until after receiving it in full (and/or playing it). Therefore, the offer is provided between the time the user selects an item and the consummation of the purchase of the item."

Thus, the Examiner considers the advertising in Logan to be the *offer for a benefit from a second merchant* of claim **1**, and the presentment of the advertising to the subscriber in Logan to be the *providing* of the offer of claim **1**.

However, the advertising presented to the customer in Logan cannot possibly be *the offer for a benefit from a second merchant* of claim **1**.

First, the advertising is not an *offer for a benefit from a second merchant* because there cannot be a *response to the offer from the customer*, which is a limitation of the third step of claim **1**. In Logan, the subscriber does not and cannot provide a *response* to the advertisement that is presented. In fact, the subscriber still receives the benefits of the advertising (credit) even when she ignores the advertising.

Second, the advertising is not an *offer for a benefit from a second merchant* because there cannot be a response to the offer *that indicates acceptance of the offer*, which is a limitation of the fourth step of claim **1**. In Logan the advertising is not something that can be accepted or not accepted. It is simply presented, and is not intended to be in any way interactive, much less an offer to the customer. The subscriber could, for example, ignore the advertising to do something else at her computer or even walk away from her computer.

One might tentatively propose that the subscriber's selection of desired advertising parameters could be considered the *response* and / or the *response which indicates acceptance of the offer* as required by claim **1**. However, the subscriber's selection of desired advertising parameters of course occurs *before* any advertising that results from these selections, and accordingly cannot be a *response to* that advertising.

Another deficiency in Examiner's Interpretation A of Logan is that Logan does not disclose or suggest *applying the benefit to the at least one item if the response indicates acceptance of the offer*. In Logan there is no *response,* much less a *response indicating acceptance* of the advertising, as discussed above. Further, since in Logan the credit is provided even if the subscriber ignores the advertisement, in Logan the benefit is not applied *if the response indicates acceptance of the offer*. In contrast, the benefit is applied regardless of "acceptance". To interpret Logan as *applying the benefit* in accordance with the claims of this Group would be to ignore the limitation that such applying is performed only *if the response indicates acceptance of the offer*.

1.4.2 Interpretation B of Logan

This interpretation is not used in rejecting the claims, but is refuted here to show that Logan does not in any way disclose or suggest any of the pending claims and thus any new rejection utilizing Interpretation B would likewise be improper.

The untenability of Interpretation A was explained to the Examiner both in Appellants' Response to First Office Action, as well as during the Telephonic Interview of December 11, 2001 and the Personal Interview of July 17, 2002. The Examiner prepared the First Interview Summary (paper no. 16) and mailed it on December 12, 2001. In there the Examiner stated that:

> "After further discussion, it was agreed that Logan may not include receiving an indication of acceptance of the offer by the subscriber; however a closer reading of the reference would be required."

Presumably in response to the untenability of Interpretation A, the Examiner verbally proposed Interpretation B of Logan during the personal interview between Examiner and Appellants' representative in the Examiner's office on the afternoon of July 17, 2002. The Second Interview Summary (paper no. 18) summarizes portions of Interpretations A and B:

> "The Examiner noted that there are two types of offers: first, the advertisement which is an offer by a merchant for one or more goods or services; and second, the offer by the advertising merchant to pay at least part of the customer's bill for the purchase of the item (music file) from the first merchant if the customer accepted the display of the advertisement."

However, in the Final Office Action, mailed February 14, 2002, the rejection of all claims relies on the Examiner's original Interpretation A of Logan, not Interpretation B. (See, e.g., Final Office Action, page 3).

In summary, Interpretation B proposes that the ability in Logan to select advertising preferences and / or the fact that such advertising can reduce subscriber charges is the *offer for a benefit from second merchant* of claim **1**.

First, Logan does not disclose or suggest that *an offer for a benefit from a second merchant* is provided *in response to the received indication of at least one item that a customer is to purchase*, as required by the first and second steps of independent claim **1**. As discussed above, in Logan the subscriber may indicate general preferences with respect to advertising

during account initialization (Col. 9, lines 5 - 11) or before a playback session begins (Col. 7, lines 12 - 21). If one considers the ability of the subscriber in Logan to indicate general advertising preferences to be *the offer* of claim **1**, then clearly this "offer" is not provided *in response to the received indication of at least one item that a customer is to purchase.* In fact, the subscriber chooses advertising preferences *before* the subscriber indicates which content she will purchase (during account initialization or before a playback session begins).

Second, the ability of the subscriber in Logan to indicate general preferences with respect to advertising cannot be *the offer* of claim **1** because there is no disclosure or suggestion in Logan that anything is "offered" to the subscriber. Logan discloses only that the subscriber has the ability to indicate or alter general preferences with respect to advertising, not that such an ability is "offered" to the subscriber visually, audibly or any other way.

Thus, Interpretation A and Interpretation B of Logan both fail to disclose or suggest significant limitations of independent claim **1**.

2. The Claim of Group II (Claim **6**) is Allowable Over the Cited References
SEPARATE ARGUMENT OF PATENTABILITY

2.1 Dependent Claim **6**

Dependent claim **6** depends from claim **1**, and recites that the step of providing an offer for a benefit from a second merchant comprises:

selecting the benefit based on the customer information received from the customer

2.2 Advantages of Dependent Claim **6**

By *selecting the benefit* based on the customer information, the offer may be made more desirable to the customer, and thus more likely to be accepted.

2.3 The Logan patent

At page 3 of the First Office Action and page 4 of the Final Office Action, the Examiner asserts that Logan discloses the method of claim **6** at col. 9, lines 23- 50. However, the Examiner has presumably misread claim **6** since he asserts that in that section Logan "further discloses providing an offer based on the customer information".

The indicated portion of Logan generally discloses that "particular advertising segments may be directed to only those subscribers having a likely interest in the goods or services advertised". Col. 9, lines 41 - 43.

2.4 No Interpretation of Logan Renders Claim **6** Anticipated or Obvious

Dependent claim **6** is patentable for at least the reasons provided above regarding the patentability of independent claim **1**, from which claim **6** depends.

In addition, dependent claim **6** is separately patentable over independent claim **1**

Logan does not disclose that the benefit is selected based on customer information. In fact, in Logan the benefit is always the same: a credit at a certain rate in exchange for having advertising presented.

Since Logan does not disclose or suggest the limitations of claim **6**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 2.2 "Advantages of Dependent Claim 6". Accordingly, for at least those reasons, dependent claim **6** is patentable in view of Logan.

3. The Claims of Group III (Claims **8 and 9**) are Allowable Over the Cited References SEPARATE ARGUMENT OF PATENTABILITY

3.1 Dependent Claims **8 and 9**

Dependent claim **8** depends from claim **1**, and recites (via its dependency on claim **2 and 7**) the following :

receiving customer information, which comprises

requesting that the customer provide customer information, which comprises transmitting to the customer at least one question to be answered; and

receiving, in response to the step of requesting, customer information from the customer.

Dependent claim **9** depends on claim **8**, and further recites that the step of receiving customer information from the customer comprises

receiving at least one answer to the at least one question

3.2 Advantages of Dependent Claims **8 and 9**

By *requesting that the customer provide customer information* via *at least one question*, any desirable customer information may be received from the customer. This information may in turn be used to provide offers that are more likely to be accepted.

3.3 The Logan patent

At page 3 of the First Office Action and page 4 of the Final Office Action, the Examiner asserts that Logan discloses the methods of claims **8 and 9** at col. 9, lines 12 - 22.

The indicated portion of Logan generally discloses that "the subscriber may request and be presented with an HTML form which lists available programs in a particular subject matter". Col. 9, lines 12 - 14. The subscriber is similarly "given the opportunity to override the default amount of advertising desired. Col. 9, lines 21 - 22.

3.4 No Interpretation of Logan Renders Claims **8 and 9** Anticipated or Obvious

Dependent claims **8 and 9** are patentable for at least the reasons provided above regarding the patentability of independent claim **1**, from which claims **8 and 9** depend.

In addition, dependent claims **8 and 9** are separately patentable over independent claim **1**

Logan does not disclose that any question to be answered is transmitted to the customer. There is no disclosure or suggestion that the HTML form the subscriber requests is transmitted to the customer, or that it contains questions.

Since Logan does not disclose or suggest the limitations of claims **8 and 9**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 3.2 "Advantages of Dependent Claims 8 and 9". Accordingly, for at least those reasons, dependent claim **6** is patentable in view of Logan.

4. The Claim of Group IV (Claim **44**) is Allowable Over the Cited References

SEPARATE ARGUMENT OF PATENTABILITY

4.1 Dependent Claim **44**

Dependent claim **44** depends from claims **1 and 43**, and recites that the step of providing an offer for a benefit from a second merchant comprises:

providing a plurality of offers for benefits from at least one merchant.

and the method further comprises

receiving from the customer a selection of an offer of the plurality of offers

4.2 Advantages of Dependent Claim **44**

By receiving from the customer *a selection of an offer of the plurality of offers*, the selected offer is likely to be highly desirable to the customer, and thus more likely to be accepted than one in which the customer had no hand in selecting.

4.3 The Logan patent

At page 4 of the First Office Action and page 5 of the Final Office Action, the Examiner asserts that Logan discloses the method of claim **44** at col. 12, lines 24- 27.

The indicated portion of Logan only discloses that:

> "The player responds to the first command, 'Accept' indicated at 263, by temporarily suspending playback in order to accept a spoken 'comment' from the user which is recorded as indicated at 264".

4.4 No Interpretation of Logan Renders Claim **44** Anticipated or Obvious

Dependent claim **4** is patentable for at least the reasons provided above regarding the patentability of independent claim **1**, from which claim **44** depends.

In addition, dependent claim **44** is separately patentable over independent claim **1**. The indicated portion of Logan (as well as any other portion of Logan or any other reference) has nothing to do with the claimed limitation of *receiving from the customer a selection of an offer of the plurality of offers*. In fact, the indicated portion of Logan is related to the disclosure of "voice commands", which, like keyboard commands, may be used to control the playback mechanism. Col. 12, lines 17 - 20. One of six function is selected with such commands. Col. 12, lines 20 - 23. The first of these commands is the 'Accept' command, which temporarily suspends playback in order to accept and record a spoken 'comment' from the user. Col. 12, lines 24 - 27. Such recorded comments have nothing to do with selecting offers, or selecting advertisements (which the Examiner incorrectly asserts are offers).

Since Logan does not disclose or suggest the limitations of claim **44**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 4.2 "Advantages of Dependent Claim 44". Accordingly, for at least those reasons, dependent claim **44** is patentable in view of Logan.

5. The Claims of Group V (Claims **51, 52, 53 and 54**) are Allowable Over the Cited References

SEPARATE ARGUMENT OF PATENTABILITY

5.1 Independent Claim **51**

Independent claim **51** is directed to a method in which there is received an indication of at least one item that a customer is ready to purchase from a first merchant via a web site. The at least one item has an associated total price.

In response to the received indication, an offer for a subsidy is provided.

This offer is provided *before* the at least one item is purchased, but *in response to* the indication of the item the customer is to purchase. A response to this offer is received from the

customer. If the response indicates acceptance of the offer, an amount that is less than the total price is charged.

5.2 Advantages of Claims **51, 52, 53 and 54**

Independent claim **51** clearly includes some limitations similar to those of independent claim **1**, and thus has similar advantages to the advantages described in section 1.2 above. These and other advantages are described in this section.

By presenting such offers only *after* a customer is *ready to purchase an item*, the merchant may reduce the chance that customers will merely "bargain shop" for lower prices, rather than actually make purchases. (Present application, page 6, lines 13 - 15) Another advantage of providing such offers only *after* a customer is ready to purchase an item is that the customer can feel that she has been rewarded for committing to a purchase with the first merchant. By contrast, a discount or other benefit which is offered to all customers before they are to purchase an item seems less valuable by comparison as it is offered to all.

Also, in embodiments where such offers are provided only *after* a customer is to purchase an item but *before* the item is actually purchased (e.g., during checkout), the customer clearly will be more likely to accept the offer. The customer is about to endure the "pain" of paying herself, and thus *at that moment* the possibility of avoiding this pain is more alluring.

An offer for a benefit *from a second merchant* is advantageous because, but for the offer via the first merchant, the second merchant would not otherwise have had the opportunity to interact with the customer. Consequently, this new opportunity creates economic value for the second merchant.

The method of independent claim **51** can facilitate the advantageous use of the acquisition budgets of various service providers to facilitate electronic commerce. With such a subsidy the customer is charged a reduced price, including nothing at all, for his desired items.

The method of independent claim **51** can, in certain embodiments, facilitate arrangements where the customer may, e.g., sign up or agree to sign up for a service that is provided by another merchant. (Present application, page 6, lines 2 - 6) Since many service providers are willing to pay significant amounts of money (e.g. often $50 to $200) to acquire a new customer, the ability

to acquire a customer by essentially "intervening" in a sale between others can benefit all parties involved. The customer is benefited by the reduced price of his items, the original merchant is benefited by the increased sales that such an arrangement would bring and / or happier customers, and the second merchant is benefited by the acquisition of a customer. (Present application, page 6, lines 7 - 12)

It is advantageous that the customer must provide a *response to the offer*. The customer feels more tied to both the transaction. By contrast, something which need not be accepted, like an advertisement, may be ignored by a customer, resulting in no benefit to the advertiser. For precisely this reason, advertising typically yields low returns to the advertiser, and consequently advertisers are not willing to pay much at all for advertising segments.

Finally, it is advantageous to *charge an amount that is less than the total price* if the response indicates acceptance of the offer. Many consumers are very cost sensitive, and many others value price reductions above all other types of benefits which a merchant might provide, such as product upgrades and additional products for free.

5.3 The Logan patent

The Examiner has relied exclusively on Logan in the rejection of the claims of Group V. However, none of the references cited by the Examiner, either alone or in combination, disclose or suggest all of the limitations of any claim of Group V.

Logan has been described in detail above.

5.4 No Interpretation of Logan Renders Any Claim Anticipated or Obvious

The inapplicability of Logan to independent claim 1 has been discussed in detail above, and many of those arguments are equally applicable to the erroneous nature of the rejection of the claims of Group V.

As discussed in detail below, Logan does not disclose or suggest

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

Nothing in Logan discloses or suggests that when a *customer is ready to purchase* is at all used. In fact, such an indication would not benefit the system of Logan.

Logan also does not disclose or suggest

providing, in response to the received indication, an offer for a subsidy, the step of providing the offer being performed before the item is purchased;

No offers are provided in Logan, much less an *offer for a subsidy*, much less an offer provided *in response to* an indication of at least one item that a customer is ready to purchase, much less provided *before* the at least one item is purchased.

Logan also does not disclose or suggest

receiving from the customer a response to the offer

Since there are no offers in Logan, there is no response to an offer. Nothing the subscriber does in Logan can be considered a *response to an offer.*

Finally, Logan also does not disclose or suggest

charging an amount that is less than the total price if the response indicates acceptance of the offer

Since there is no offer and no response in Logan, there is no charging a lesser amount *if the response indicates acceptance of the offer.*

As described above, the Examiner has proposed two possible interpretations of Logan in an attempt to contort Logan to "disclose" limitations of various claims, including claim **51**. Both interpretations fail to do so, and consequently the Examiner has failed to make a prima facie case of unpatentability.

(These limitations are likewise not disclosed or suggested by the other references of record, and the Examiner has not suggested otherwise.)

Appellants note initially that since Logan does not disclose or suggest various limitations of claim **51**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 5.2 "Advantages of Claims 51, 52 and 53". Accordingly, for at least those reasons, independent claim **51** is patentable in view of Logan.

5.4.1 Interpretation A of Logan

As described above, Interpretation A of Logan is generally that the advertising in Logan is considered to be the *offer for a subsidy* of claim **51**, and the presentment of the advertising to the subscriber in Logan to be the *providing* of the offer of claim **51**.

However, the advertising presented to the customer in Logan cannot possibly be *the offer for a subsidy* of claim **51**.

First, the advertising is not an *offer for a subsidy* because there cannot be a *response to the offer from the customer*, which is a limitation of the third step of claim **51**. In Logan, the subscriber does not and cannot provide a *response* to the advertisement that is presented. In fact, the subscriber still receives the benefits of the advertising (credit) even when she ignores the advertising.

Second, the advertising is not an *offer for a subsidy* because there cannot be a response to the offer *that indicates acceptance of the offer*, which is a limitation of the fourth step of claim **51**. In Logan the advertising is not something that can be accepted or not accepted. It is simply presented, and is not intended to be in any way interactive, much less an offer to the customer. The subscriber could, for example, ignore the advertising to do something else at her computer or even walk away from her computer.

One might tentatively propose that the subscriber's selection of desired advertising parameters could be considered the *response* and / or the *response which indicates acceptance of the offer* as required by claim **51**. However, as described above the subscriber's selection of desired advertising parameters of course occurs *before* any advertising that results from these selections, and accordingly cannot be a *response to* that advertising.

Another deficiency in Examiner's Interpretation A of Logan is that Logan does not disclose or suggest *charging an amount that is less than the total price if the response indicates acceptance of the offer*. In Logan there is no *response,* much less a *response indicating acceptance* of the advertising, as discussed above. Further, since in Logan the charging of a lesser amount occurs even if the subscriber ignores the advertisement, in Logan the lesser amount is not charged *if the response indicates acceptance of the offer*. In contrast, the lesser amount is charged regardless of "acceptance". To interpret Logan as *charging the lesser amount*

in accordance with the claims of this Group would be to ignore the limitation that the lesser amount is charged only *if the response indicates acceptance of the offer.*

5.4.2 Interpretation B of Logan

As discussed above, Interpretation B proposes that the ability in Logan to select advertising preferences and / or the fact that such advertising can reduce subscriber charges is the *offer for a subsidy* of claim **51**.

First, Logan does not disclose or suggest that *an offer for a subsidy* is provided *in response to the received indication of at least one item that a customer is ready to purchase*, as required by the first and second steps of independent claim **51**. As discussed above, in Logan the subscriber may indicate general preferences with respect to advertising during account initialization (Col. 9, lines 5 - 11) or before a playback session begins (Col. 7, lines 12 - 21). If one considers the ability of the subscriber in Logan to indicate general advertising preferences to be *the offer* of claim **51**, then clearly this "offer" is not provided *in response to the received indication of at least one item that a customer is ready to purchase.* In fact, the subscriber chooses advertising preferences *before* the subscriber indicates which content she will purchase (during account initialization or before a playback session begins).

Second, the ability of the subscriber in Logan to indicate general preferences with respect to advertising cannot be *the offer* of claim **51** because there is no disclosure or suggestion in Logan that anything is "offered" to the subscriber. Logan discloses only that the subscriber has the ability to indicate or alter general preferences with respect to advertising, not that such an ability is "offered" to the subscriber visually, audibly or any other way.

Thus, Interpretation A and Interpretation B of Logan both fail to disclose or suggest significant limitations of independent claim **51**.

6. The Claims of Group VI (Claim **62**) are Allowable Over the Cited References

SEPARATE ARGUMENT OF PATENTABILITY

6.1 Independent Claim **62**

Independent claim **62** is directed to a method in which an interface, including a button, is generated. The interface allows a customer to access a web site that permits purchases from a first merchant.

There is received a first indication that a customer is willing to make a purchase from a first merchant. In response to the first indication, a button is activated.

In response to receiving a signal that the customer has clicked the button, an offer for a subsidy from a second merchant is provided. This offer is provided *before* the purchase is consummated, but *in response to* signal that the customer has clicked the button (which is turn is activated in response to receiving indication that a customer is willing to make a purchase). A response to this offer is received from the customer. If the response indicates acceptance of the offer, the subsidy is applied to the purchase.

6.2 Advantages of Claim **62**

Independent claim **62** clearly includes some limitations similar to those of independent claim **1**, and thus has similar advantages to the advantages described in section 1.2 above. These and other advantages are described in this section.

Offers are presented only *after* the customer has clicked a button, and that button is only activated and available for clicking in response to an indication that a customer is willing to make a purchase. Thus, offers may be requested by the customer, but *only* after the customer is willing to make a purchase.

Since buttons may be included in an interface, but not activated and available for clicking, the button may be seen even by those customers who have not indicated that they are willing to make a purchase. Such customers may then become motivated to learn how to acquire the functionality of the unactivated button.

By presenting such offers only *after* a customer *is willing to make a purchase*, the merchant may reduce the chance that customers will merely "bargain shop" for lower prices, rather than actually make purchases. (Present application, page 6, lines 13 - 15) Another advantage of providing such offers only *after* a customer is willing to make a purchase is that the

customer can feel that she has been rewarded for committing to a purchase with the first merchant. By contrast, a subsidy which is offered to all customers before they are to purchase an item seems less valuable by comparison as it is offered to all.

Also, in embodiments where such offers are provided only *after* a customer is willing to make a purchase but *before* the purchase is consummated, the customer clearly will be more likely to accept the offer. The customer is about to endure the "pain" of paying herself, and thus *at that moment* the possibility of avoiding this pain is more alluring.

An offer for a subsidy *from a second merchant* is advantageous because, but for the offer via the first merchant, the second merchant would not otherwise have had the opportunity to interact with the customer. Consequently, this new opportunity creates economic value for the second merchant.

The method of independent claim **62** can facilitate the advantageous use of the acquisition budgets of various service providers to facilitate electronic commerce. With such a subsidy the customer is charged a reduced price, including nothing at all, for his desired items.

The method of independent claim **62** can, in certain embodiments, facilitate arrangements where the customer may, e.g., sign up or agree to sign up for a service that is provided by another merchant. (Present application, page 6, lines 2 - 6) Since many service providers are willing to pay significant amounts of money (e.g. often $50 to $200) to acquire a new customer, the ability to acquire a customer by essentially "intervening" in a sale between others can benefit all parties involved. The customer is benefited by the reduced price of his items, the original merchant is benefited by the increased sales that such an arrangement would bring and / or happier customers, and the second merchant is benefited by the acquisition of a customer. (Present application, page 6, lines 7 - 12)

It is advantageous that the customer must provide a *response to the offer*. The customer feels more tied to both the transaction. By contrast, something which need not be accepted, like an advertisement, may be ignored by a customer, resulting in no benefit to the advertiser. For precisely this reason, advertising typically yields low returns to the advertiser, and consequently advertisers are not willing to pay much at all for advertising segments.

Finally, it is advantageous to *apply the subsidy to the purchase* if the response indicates acceptance of the offer. Many consumers are very cost sensitive, and many others value price reductions above all other types of benefits which a merchant might provide, such as product upgrades and additional products for free.

6.3 The Logan patent

The Examiner has relied exclusively on Logan in the rejection of the claim of Group VI. However, none of the references cited by the Examiner, either alone or in combination, disclose or suggest all of the limitations of the claim of Group VI.

Logan has been described in detail above.

6.4 No Interpretation of Logan Renders the Claim of Group VI Anticipated or Obvious

The inapplicability of Logan to independent claim **1** has been discussed in detail above, and many of those arguments are equally applicable to the erroneous nature of the rejection of the claim of Group VI.

As discussed in detail below, Logan does not disclose or suggest

activating the button [that is included in an interface for allowing a customer to access a web site that permits purchases from a first merchant] in response to receiving the indication [that a customer is willing to make a purchase from the first merchant]

The portion cited by the Examiner (col. 10, lines 51 - 55) discloses only that "the playback session begins with the presentation of an audio (and/or displayed) menu which allows the user to jump t any program segment within the sequence to start (or resume) playback at 235, or terminate the session at 236". Applicants note that this portion relates to playback, not " a web site that permits purchases from a first merchant" as required by claim **62**.

Nevertheless, neither the indicated portion nor any other portion of Logan disclose:
activating the button [that is included in an interface for allowing a customer to access a web site that permits purchases from a first merchant] in response to receiving the indication [that a customer is willing to make a purchase from the first merchant]

First, there is no disclosure or suggestion in Logan that any buttons may be activated or otherwise selectively accessed by the subscriber.

Second, there is no disclosure or suggestion in Logan that any buttons may be activated or otherwise selectively accessed in response to receiving an indication that the customer is willing to make a purchase from the first merchant.

Third, there is no disclosure or suggestion in Logan that an offer for a subsidy is provided *in response to* clicking such a button. Even if one contorted Logan such that the advertisements were considered offers, the advertisements are not provided in response to clicking a button that *is activated in response to receiving an indication that the customer is willing to make a purchase*. Thus, even this interpretation of Logan would not confer the benefits of providing offers to only those who have already manifested a willingness to make a purchase, rather than bargain hunters and others who would exploit the subsidy.

Further, nothing in Logan discloses or suggests that when a *customer is willing to make a purchase* is at all used. In fact, such an indication would not benefit the system of Logan.

Logan also does not disclose or suggest

> *providing, in response to the received signal, an offer for a subsidy from a second merchant, the step of providing the offer being performed before the purchase is consummated*

No offers are provided in Logan, much less an *offer for a subsidy*, much less an offer provided *in response to* an indication of at least one item that a customer is willing to make a purchase, much less provided *before* the purchase is consummated.

Logan also does not disclose or suggest

receiving from the customer a response to the offer

Since there are no offers in Logan, there is no response to an offer. Nothing the subscriber does in Logan can be considered a *response to an offer.*

Finally, Logan also does not disclose or suggest

applying the subsidy to the purchase if the response indicates acceptance of the offer

Since there is no offer and no response in Logan, there is no applying of a subsidy *if the response indicates acceptance of the offer.*

As described above, the Examiner has proposed two possible interpretations of Logan in an attempt to contort Logan to "disclose" limitations of various claims, including claim **62**. Both interpretations fail to do so, and consequently the Examiner has failed to make a prima facie case of unpatentability.

(These limitations are likewise not disclosed or suggested by the other references of record, and the Examiner has not suggested otherwise.)

Appellants note initially that since Logan does not disclose or suggest various limitations of claim **62**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 6.2 "Advantages of Claim 62". Accordingly, for at least those reasons, independent claim **62** is patentable in view of Logan.

6.4.1 Interpretation A of Logan

As described above, Interpretation A of Logan is generally that the advertising in Logan is considered to be the *offer for a subsidy* of claim **62**, and the presentment of the advertising to the subscriber in Logan to be the *providing* of the offer of claim **62**.

However, the advertising presented to the customer in Logan cannot possibly be *the offer for a subsidy* of claim **62**.

First, the advertising is not an *offer for a subsidy* because there cannot be a *response to the offer from the customer*, which is a limitation of the third step of claim **62**. In Logan, the subscriber does not and cannot provide a *response* to the advertisement that is presented. In fact, the subscriber still receives the benefits of the advertising (credit) even when she ignores the advertising.

Second, the advertising is not an *offer for a subsidy* because there cannot be a response to the offer *that indicates acceptance of the offer*, which is a limitation of the seventh step of claim **62**. In Logan the advertising is not something that can be accepted or not accepted. It is simply presented, and is not intended to be in any way interactive, much less an offer to the customer.

The subscriber could, for example, ignore the advertising to do something else at her computer or even walk away from her computer.

One might tentatively propose that the subscriber's selection of desired advertising parameters could be considered the *response* and / or the *response which indicates acceptance of the offer* as required by claim **62**. However, as described above the subscriber's selection of desired advertising parameters of course occurs *before* any advertising that results from these selections, and accordingly cannot be a *response to* that advertising.

Another deficiency in Examiner's Interpretation A of Logan is that Logan does not disclose or suggest *applying a subsidy to the purchase if the response indicates acceptance of the offer*. In Logan there is no *response,* much less a *response indicating acceptance* of the advertising, as discussed above. Further, since in Logan the charging of a lesser amount occurs even if the subscriber ignores the advertisement, in Logan no subsidy is applied to the purchase *if the response indicates acceptance of the offer*. In contrast, the lesser amount is charged regardless of "acceptance". To interpret Logan as *applying the subsidy to the purchase* in accordance with the claims of this Group would be to ignore the limitation that the subsidy is applied to the purchase only *if the response indicates acceptance of the offer*.

6.4.2 Interpretation B of Logan

As discussed above, Interpretation B proposes that the ability in Logan to select advertising preferences and / or the fact that such advertising can reduce subscriber charges is the *offer for a subsidy* of claim **62**.

First, Logan does not disclose or suggest that *an offer for a subsidy* is provided *in response to a received signal* of a clicked button which indirectly indicates that the customer is *willing to make a purchase*, as required by independent claim **62**. As discussed above, in Logan the subscriber may indicate general preferences with respect to advertising during account initialization (Col. 9, lines 5 - 11) or before a playback session begins (Col. 7, lines 12 - 21). If one considers the ability of the subscriber in Logan to indicate general advertising preferences to be *the offer* of claim **62**, then clearly this "offer" is not provided *a received signal* of a clicked button which indirectly indicates that the customer is *willing to make a purchase*. In fact, the

subscriber chooses advertising preferences *before* the subscriber indicates which content she will purchase (during account initialization or before a playback session begins).

Second, the ability of the subscriber in Logan to indicate general preferences with respect to advertising cannot be *the offer* of claim **62** because there is no disclosure or suggestion in Logan that anything is "offered" to the subscriber. Logan discloses only that the subscriber has the ability to indicate or alter general preferences with respect to advertising, not that such an ability is "offered" to the subscriber visually, audibly or any other way.

Thus, Interpretation A and Interpretation B of Logan both fail to disclose or suggest significant limitations of independent claim **62**.

7. The Claims of Group VII (Claims **10 - 14**) are Allowable Over the Cited References

SEPARATE ARGUMENT OF PATENTABILITY

7.1 Dependent Claims **10 - 14**

Dependent claim **10** depends from claim **2**, and recites (via its dependency on claim **2**) the following:

> *receiving customer information*
> *verifying whether the customer information is accurate*

Dependent claims **11 - 14** depend directly or indirectly on claim **10** and thus incorporate all of the limitations thereof.

7.2 Advantages of Dependent Claims **10 - 14**

By *verifying whether the customer information is accurate*, desirable customer information may be received from the customer and that information cannot be falsified to the detriment of the merchant. For example, if receiving a benefit depends on the customer not currently being a holder of an American Express® credit card account (e.g., because the second merchant wants to offer such an account only to new account holders), then the information must be verified. Otherwise, customers who are currently American Express® credit card account holders could receive the benefit under false pretenses by lying that they were not, and receiving a benefit in exchange for signing up for such a "new" account.

7.3 The Logan patent

At page 6 of the Final Office Action, the Examiner asserts that it would be obvious to combine Logan with U.S. Patent No. 5,845,265 to Woolston to meet all of the limitations of claim **10** because Woolston discloses verifying data. The motivation to combine these two disparate references is "to verify the accuracy of the information in order to ensure the database is kept as up-to-date as possible".

The indicated portion of Woolston generally discloses that "[t]he get log on response may verify and grant a level of access privileges to the participant". Appellants understand this to generally mean that user passwords would need to be verified before granting access privileges.

7.4 No Interpretation of Logan Renders Claims **10 - 14** Anticipated or Obvious

Dependent claims **10 - 14** are patentable for at least the reasons provided above regarding the patentability of independent claim **1**, from which claims **10 - 14** depend.

In addition, dependent claims **10 - 14** are separately patentable over independent claim **1**

The indicated portion of Woolston generally discloses that user passwords would need to be verified before granting access privileges. However, this is not "verifying *customer information*". The data regarding access privileges is different than customer information. First, access privileges are typically stored locally with the machine that must perform the verification, and consequently verification is straightforward and swift. By contrast, customer information to be verified does not typically reside with the machine to perform the verification. Consequently, verifying these two types of data are different, and the combination does not yield the limitations of claim **10**.

Further, even if either reference did disclose or suggest *verifying whether the customer information is accurate*, which they do not, the features disclosed in Logan may not properly be combined with the features disclosed in Woolston because there is absolutely no motivation in the prior art to modify or combine the references in the way suggested by the Examiner.

Obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. MPEP 706.02(j). In re Fine, 5 USPQ2d 1596 (Fed. Cir. 1988); In re Jones, 21 USPQ2d 1941 (Fed. Cir. 1992).

According to the Examiner, it would have been obvious to combine the teachings of Logan and Woolston "to verify the accuracy of the information in order to ensure the database is

kept as up-to-date as possible". This falls far short of a motivation to combine the system disclosed in Logan with the system disclosed in Woolston.

Appellants respectfully suggest that this motivation (i.e., to verify the accuracy of the information in order to ensure the database is kept as up-to-date as possible) is merely a beneficial result made possible by the present invention. The fact that a combination of elements has a beneficial result does not make the combination unpatentable. Instead, "[t]hat an inventor has probed the strengths and weaknesses of the prior art and discovered an improvement that escaped those who came before is indicative of unobviousness, not obviousness." Fromson v. Anitec Printing Plates, Inc., 45 USPQ 2d 1269, 1276 (Fed. Cir. 1997), *cert. denied*, 119 S. Ct. 56 (1998).

The Examiner's combination of Woolston and Logan seems to use impermissible hindsight reconstruction absent some real and specific teaching, suggestion, or motivation in the prior art. Appellants note that care must be taken to not use "the inventor's disclosure as a blueprint for piecing together the prior art to defeat patentability - the essence of hindsight." In re Dembiczak (No. 98-1498) (Fed. Cir. 1999); Interconnect Planning Corp. v. Feil, 227 USPQ 543, 547 (Fed. Cir. 1985). In other words, the teaching to make the claimed combination must be found in the prior art, and cannot be based on an applicant's disclosure. MPEP 2143.01. In re Mills, 16 USPQ2d 1430, 1432 (Fed. Cir. 1990).

Appellants note that neither Logan nor Woolston address or suggest in any way the need to customer information " as up-to-date and accurate as possible". Instead, "by defining the inventor's problem in terms of its solution, the [Examiner] missed [the] necessary antecedent question, namely, whether the prior art contains a suggestion or motivation to combine references." Monarch Knitting Machinery Corp. v. Sulzer Morat GmbH, 45 USPQ 2d 1977, 1981-82 (Fed. Cir. 1998).

In addition to not providing a motivation to combine these references, such a step would be contrary to Logan. Logan uses subscriber information in order to provide the subscriber with advertising she finds interesting. E.g., Col. 9, lines 51 - 57. Accordingly, it would not make sense for such information to be verified or kept up-to-date. The subscriber is responsible for such choices, not the host computer.

Since neither Logan nor Woolston disclose or suggest the limitations of any of claims **10 - 14**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 7.2 "Advantages of Dependent Claims 10 - 14". Accordingly, for at least those reasons, dependent claims **10 - 14** are patentable in view of Logan and Woolston.

8. The Claims of Group VIII (Claims **29 - 32 and 55**) are Allowable Over the Cited References

SEPARATE ARGUMENT OF PATENTABILITY

8.1 Dependent Claims **29 - 32** and independent claim **55**

Dependent claims **29 and 30** depends from claim **1**, and each recite (directly or indirectly)

requesting that the customer participate in a transaction with the second merchant

Dependent claim **31** depends from claim **1**, and recites

receiving an indication of agreement to participate in a transaction with the second merchant

Dependent claim **32** depends from claim **1**, and recites

facilitating a transaction with the second merchant

Independent claim **55 recites**

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;
providing, in response to the indication, an offer for a subsidy from a second merchant in exchange for agreeing to perform a transaction with the second merchant, the step of providing the offer being performed before the at least one item is purchased;
receiving from the customer an acceptance of the offer;
facilitating the transaction with the second merchant;
receiving a request to revoke the acceptance before the at least one item is purchased; and
canceling the second transaction.

8.2 Advantages of Dependent Claims **29 - 32** and independent claim **55**

Stated generally, the advantages of claims **29 - 32 and 55** are that a transaction with a second merchant is advantageous because the second merchant would not otherwise have had the opportunity to interact with the customer who is currently interacting with the first merchant. Consequently, this new opportunity creates economic value for the second merchant.

A transaction with *a second merchant* is advantageous because the second merchant has its own economic value to inject into the transaction in excess of the economic value the first merchant has. This is so because the second merchant receives economic value from the opportunity to interact with and / or possibly acquire the customer. This economic value may represent, e.g., the $50 that the second merchant typically pays to acquire a new customer through direct mailing and other low-yield advertising. Part of this economic value may be used to benefit the customer and / or the first merchant, as well as the second merchant.

Claim **30** in particular permits the customer to initiate a service agreement with the second merchant. Since many service providers are willing to pay significant amounts of money (e.g. often $50 to $200) to acquire a new customer, the ability to acquire a customer by essentially "intervening" in a sale between others can benefit all parties involved. The customer is benefited by the reduced price of his items, the first merchant is benefited by the increased sales that such an arrangement would bring and / or happier customers, and the second merchant is benefited by the acquisition of a service customer. (Present application, page 6, lines 7 - 12)

An offer for a benefit *from a second merchant* provided only *after* a customer is to purchase an item but *before* the item is actually purchased is advantageous because the customer perceives the second merchant to be helping the customer out, thereby creating goodwill with the second merchant, and making the customer *more willing to participate in a transaction* with the second merchant. By contrast, an offer for a benefit from the first merchant (i.e. the merchant the customer is currently to purchase from) might be less enthusiastically received by the customer. The customer could be suspicious of the motives (e.g., "Why would this merchant only now

lower my price") and / or confused by the apparent change (e.g., "I thought I was buying items X and Y for $85. What has changed?").

8.3 The Logan patent

At page 7 of the Final Office Action, the Examiner concedes that Logan does not disclose the limitations of any of claims **29 - 32 and 55**. The Examiner then cites a publication ("Pagers That Can Spell It All Out" by Wildstrom) as evidence that maintenance / service contracts are provided with items being purchased, and these contracts are with a second merchant. Despite the broad statement of what the Examiner intended to make subject to Official Notice, the actual content of the cited publication is much narrower. Therefore, the record contains only substantial evidence of what is included in the reference; the sweeping nature of the Official Notice is not fully supported by this evidence.

In rejecting claim **55** on page 8 of the Final Office Action , the Examiner appears to have ignored the limitations that the offer is *for a subsidy from a second merchant in exchange for agreeing to perform a transaction with the second merchant* and *facilitating the transaction with the second merchant.*

8.4 No Interpretation of Logan Renders Claims **29 - 32 and 55** Anticipated or Obvious

Dependent claims **29 - 32** are patentable for at least the reasons provided above regarding the patentability of independent claim **1**, from which claims **29 - 32** depend.

In addition, dependent claims **29 - 32** are separately patentable over independent claim **1**.

To the extent the prior art of record shows that there are service contracts on items purchased, the references do not show

requesting that the customer participate in a transaction with the second merchant
(claims **29 and 30**)

since there is no request, only the opportunity for customers to do so.

Similarly, the references do not show

receiving an indication of agreement to participate in a transaction with the second merchant
(claim **31**)

since there is no indication of such agreement that is received by the entity that, e.g., receives an indication of at least one item that a customer is to purchase from a first merchant via a web site (another limitation of claim **31** through its dependence on claim **1**).

Similarly, the references do not show that

facilitating a transaction with the second merchant

(claim **32**)

since they at best inform the customer of the opportunity to participate in such a transaction.

In addition, the inapplicability of Logan to independent claim **1** has been discussed in detail above, and many of those arguments are equally applicable to the erroneous nature of the rejection of the independent claim **55**.

As discussed in detail herein, Logan does not disclose or suggest

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

Nothing in Logan discloses or suggests that when a *customer is ready to purchase* is at all used. In fact, such an indication would not benefit the system of Logan.

Logan also does not disclose or suggest

providing, in response to the indication, an offer for a subsidy from a second merchant in exchange for agreeing to perform a transaction with the second merchant, the step of providing the offer being performed before the at least one item is purchased;

No offers are provided in Logan, much less an *offer for a subsidy from a second merchant*, much less an offer provided *in response to* an indication of at least one item that a customer is ready to purchase, much less provided *before* the at least one item is purchased.

Logan also does not disclose or suggest

receiving from the customer an acceptance of the offer

Since there are no offers in Logan, there is no response to an offer. Nothing the subscriber does in Logan can be considered an *acceptance of an offer*.

Finally, Logan also does not disclose or suggest

facilitating the transaction with the second merchant

as discussed above with respect to claims **29 - 32**.

As described above, the Examiner has proposed two possible interpretations of Logan in an attempt to contort Logan to "disclose" limitations of various claims, including claim **55**. Both interpretations fail to do so, and consequently the Examiner has failed to make a prima facie case of unpatentability.

(These limitations are likewise not disclosed or suggested by the other references of record, and the Examiner has not suggested otherwise.)

Further, if any reference did disclose or suggest any of the limitations recited by claims **29 - 32**, which they do not, the features disclosed in Logan may not properly be combined with the features disclosed in any other reference (particularly the cited publication) because there is absolutely no motivation in the prior art to modify or combine the references in the way suggested by the Examiner.

Similarly, if any reference did disclose or suggest the limitations recited by claim **55** of *an offer for a subsidy from a second merchant in exchange for agreeing to perform a transaction with the second merchant*, which they do not, a rejection based on such a reference would be a new rejection because the Examiner has not addressed such a limitation in the rejection of claim **55.**

Obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. MPEP 706.02(j). In re Fine, 5 USPQ2d 1596 (Fed. Cir. 1988); In re Jones, 21 USPQ2d 1941 (Fed. Cir. 1992).

According to the Examiner, it would have been obvious to combine the teachings of Logan and the cited publication "to provide this type of offer during the purchase transaction in order to more easily identify owners of such items and to accurately establish the sale of purchase". This falls far short of a motivation to combine the system disclosed in Logan with the system disclosed in the publication.

Appellants respectfully suggest that this motivation (i.e., to provide this type of offer during the purchase transaction in order to more easily identify owners of such items and to

accurately establish the sale of purchase) is, at best, merely a beneficial result made possible by the present invention. At worst, it is not even accomplished by the purported combination of references.

The Examiner's combination of Logan and the cited publication seems to use impermissible hindsight reconstruction absent some real and specific teaching, suggestion, or motivation in the prior art. Appellants note that care must be taken to not use "the inventor's disclosure as a blueprint for piecing together the prior art to defeat patentability - the essence of hindsight." In re Dembiczak (No. 98-1498) (Fed. Cir. 1999); Interconnect Planning Corp. v. Feil, 227 USPQ 543, 547 (Fed. Cir. 1985). In other words, the teaching to make the claimed combination must be found in the prior art, and cannot be based on an applicant's disclosure. MPEP 2143.01. In re Mills, 16 USPQ2d 1430, 1432 (Fed. Cir. 1990).

Appellants note that neither Logan nor the cited publication address or suggest in any way the need "to provide this type of offer during the purchase transaction in order to more easily identify owners of such items and to accurately establish the sale of purchase ". This is likely because neither reference discloses or suggests any way to do so, nor the desirability of doing so.

In addition to not providing a motivation to combine these references, the proposed motivation or benefit for the combination ("in order to more easily identify owners of such items and to accurately establish the sale of purchase") does not seem to result from any of claims **29 - 32**. Accordingly, it cannot be a true motivation to make the proposed combination.

Since neither Logan nor the cited publication disclose or suggest the limitations of any of claims **29 - 32**, neither Logan nor the cite publication possess the advantages conferred by those limitations, as discussed in detail above in section 8.2 "Advantages of Dependent Claims 29 - 32". Accordingly, for at least those reasons, dependent claims **29 - 32** are patentable in view of Logan and Woolston.

9. The Claims of Group IX (Claim **56 - 60 and 63-64**) are Allowable Over the Cited References

SEPARATE ARGUMENT OF PATENTABILITY

9.1 Independent Claim **56**

Independent claim **56** is directed to a method in which there is received an indication of at least one item that a customer is ready to purchase from a merchant via a web site. The at least one item has an associated total price. In response to the received indication, there is provided an offer for a reduction in the total price in exchange for applying for a credit card account with a credit card issuer. The step of providing the offer is performed before the at least one item is purchased.

An indication of willingness to apply for a credit card account is received from the customer. The at least one item is sold to the customer for less than the total price.

Dependent claims **57 - 60** depend, directly or indirectly, on independent claim **56**.

Independent claim **63** include all of the limitations of independent claim **56**, and further recites that the credit card issuer is charged for an amount of payment.

Dependent claim **64** includes all of the limitations of claim **63**, plus the further limitation that the step of selling comprises:

> *selling the at least one item to the customer for an amount that is based on a difference between the total price and the amount of payment charged to the credit card issuer.*

9.2 Advantages of Claim **56**

Independent claim **56** clearly includes some limitations similar to those of independent claim **1**, and thus has similar advantages to the advantages described in section 1.2 above. These and other advantages are described in this section.

Many customers would not at all mind applying for a credit card account, since they may see no risk or detriment to doing so. Accordingly, such an offer would generally have a high acceptance rate.

By presenting such offers only *after* a customer *is ready to make a purchase*, the merchant may reduce the chance that customers will merely "bargain shop" for lower prices, rather than actually make purchases. (Present application, page 6, lines 13 - 15) Another advantage of providing such offers only *after* a customer is ready to make a purchase is that the

customer can feel that she has been rewarded for committing to a purchase with the first merchant. By contrast, a subsidy which is offered to all customers before they are ready to purchase an item seems less valuable by comparison as it is offered to all.

Also, in embodiments where such offers are provided only *after* a customer is ready to make a purchase but *before* the item is purchased, the customer clearly will be more likely to accept the offer. The customer is about to endure the "pain" of paying herself, and thus *at that moment* the possibility of avoiding this pain is more alluring.

An offer for a subsidy *from a second merchant* is advantageous because, but for the offer via the first merchant, the second merchant would not otherwise have had the opportunity to interact with the customer. Consequently, this new opportunity creates economic value for the second merchant.

The method of independent claim **56** can facilitate the advantageous use of the acquisition budgets of credit card issuers to facilitate electronic commerce. With such a subsidy the customer is charged a reduced price, including nothing at all, for his desired items.

The method of independent claim **56** can facilitate arrangements where the customer may apply for or agree to apply for a credit card account that is provided by a credit card issuer. Since many credit card issuers are willing to pay significant amounts of money (e.g. often $50 or more) to acquire a new account holder, the ability to acquire a such an account holder by essentially "intervening" in a sale between others can benefit all parties involved. The customer is benefited by the reduced price of his items, the original merchant is benefited by the increased sales that such an arrangement would bring and / or happier customers, and the credit card issuer is benefited by the acquisition of a customer.

It is advantageous that the customer must provide an *indication of willingness to apply for a credit card account*. The customer feels more tied to both the transaction. By contrast, something like an advertisement may be ignored by a customer, resulting in no benefit to the advertiser. For precisely this reason, advertising typically yields low returns to the advertiser, and consequently advertisers are not willing to pay much at all for advertising segments.

Further, it is contrary to law to sign up a new account holder for a credit card account without her permission.

Finally, it is advantageous to sell the at least one item to the customer for less than the total price. Many consumers are very cost sensitive, and many others value price reductions above all other types of benefits which a merchant might provide, such as product upgrades and additional products for free.

9.3 The Logan patent

At page 9 of the Final Office Action, the Examiner concedes that Logan does not disclose the limitations of any of the claims of Group IX. The Examiner then cites a publication ("Credit card forms drive down costs" by Ellis) as evidence that it is known "to make promotional offers to customers who will complete and submit applications for credit card".

Despite the broad statement of what the Examiner intended to make subject to Official Notice, the actual content of the cited publication is much narrower. Therefore, the record contains only substantial evidence of what is included in the reference; the sweeping nature of the Official Notice is not fully supported by this evidence.

The prior art of record only discloses that credit card issuers provide application forms in the hopes that new customers will apply.

9.4 No Interpretation of Logan Renders the Claim of Group IX Anticipated or Obvious

Appellants first also note that dependent claim **64**, which depends on claim **63**, is rejected as anticipated by Logan, but broader claim **63** is rejected as obvious in light of Logan. Applicants believe all arguments herein apply equally to claim **64**.

The inapplicability of Logan to independent claim **1** has been discussed in detail above, and many of those arguments are equally applicable to the erroneous nature of the rejection of the claim of Group IX. The arguments made above with respect to claim **1** are incorporated herein for the claims of Group IX.

Further, to the extent the prior art of record shows that credit card issuers desire new customers, the references do not show

an offer for a reduction in the total price[of at least one item that a customer is ready to purchase from a merchant via a web site] in exchange for applying for a credit card account with a credit card issuer

The prior art, alone or in combination, does not show that credit card issuers would or could in any way reduce the total price of an item being purchased from another.

As discussed in detail below, the references does not disclose or suggest

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

Nothing in the references discloses or suggests that when a *customer is ready to purchase* is at all used. In fact, such an indication would not benefit the system of Logan.

Logan also does not disclose or suggest

providing, in response to the received indication, an offer for a reduction in the total price in exchange for applying for a credit card account with a credit card issuer, the step of providing the offer being performed before the at least one item is purchased

No offers are provided in the references, much less an *offer for a reduction in price*, much less an offer provided *in response to* an indication of at least one item that a customer is ready to purchase, much less provided *before* the at least one item is purchased, much less anything in exchange for applying for a credit card account.

the references also do not disclose or suggest

receiving from the customer an indication of willingness to apply for a credit card account

To the extent any indication of willingness to apply for a credit card account is received, it is not received by an entity that sells or can sell the at least one item to the customer.

As described above, the Examiner has proposed two possible interpretations of Logan in an attempt to contort Logan to "disclose" limitations of various claims, including claim **56**. Both interpretations fail to do so, and consequently the Examiner has failed to make a prima facie case of unpatentability.

(These limitations are likewise not disclosed or suggested by the other references of record, and the Examiner has not suggested otherwise.)

Appellants note initially that since Logan does not disclose or suggest various limitations of claim **56**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 5.2 "Advantages of Claims **56**, 52 and 53". Accordingly, for at least those reasons, independent claim **56** is patentable in view of Logan.

9.4.1 Interpretation A of Logan

As described above, Interpretation A of Logan is generally that the advertising in Logan is considered to be the *offer for a reduction in the total price in exchange for applying for a credit card account with a credit card issuer* of claim **56**, and the presentment of the advertising to the subscriber in Logan to be the *providing* of the offer of claim **56**.

However, the advertising presented to the customer in Logan cannot possibly be *the offer for a reduction in the total price* of claim **56**.

First, the advertising is not an *offer for a reduction in the total price in exchange for applying for a credit card account with a credit card issuer* because there cannot be a resulting *indication of willingness to apply of the credit card account*, which is a limitation of claim **56**. In Logan, the subscriber does not and cannot provide any indication of willingness to do anything with the advertiser. In fact, the subscriber still receives the benefits of the advertising (credit) even when she ignores the advertising. The advertising is simply presented, and is not intended to be in any way interactive, much less an offer to the customer. The subscriber could, for example, ignore the advertising to do something else at her computer or even walk away from her computer.

5.4.2 Interpretation B of Logan

As discussed above, Interpretation B proposes that the ability in Logan to select advertising preferences and / or the fact that such advertising can reduce subscriber charges is the *offer for a reduction in the total price in exchange for applying for a credit card account with a credit card issuer* of claim **56**.

The ability of the subscriber in Logan to indicate general preferences with respect to advertising cannot be *the offer* of claim **56** because there is no disclosure or suggestion in Logan

that anything is "offered" to the subscriber. Logan discloses only that the subscriber has the ability to indicate or alter general preferences with respect to advertising, not that such an ability is "offered" to the subscriber visually, audibly or any other way.

Thus, Interpretation A and Interpretation B of Logan both fail to disclose or suggest significant limitations of independent claim **56**.

Further, if any reference did disclose or suggest any of the limitations recited by claim **56**, which they do not, the features disclosed in Logan may not properly be combined with the features disclosed in any other reference (particularly the cited publication) because there is absolutely no motivation in the prior art to modify or combine the references in the way suggested by the Examiner.

Obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. MPEP 706.02(j). In re Fine, 5 USPQ2d 1596 (Fed. Cir. 1988); In re Jones, 21 USPQ2d 1941 (Fed. Cir. 1992).

According to the Examiner, it would have been obvious to combine the teachings of Logan and the cited publication "to increaser the amount of credit available to the customer, thereby enticing the customer to spend more at the merchant". This falls far short of a motivation to combine the system disclosed in Logan with the system disclosed in the publication. Further, it does not recognize the unexpected benefit that the credit card issuer may allow the item to be sold to the customer for less than the total price.

Appellants respectfully suggest that this motivation (i.e., to increaser the amount of credit available to the customer, thereby enticing the customer to spend more at the merchant) is, at best, merely a beneficial result made possible by the present invention, and not suggested by the prior art. At worst, it is not even accomplished by the purported combination of references.

The Examiner's combination of Logan and the cited publication seems to use impermissible hindsight reconstruction absent some real and specific teaching, suggestion, or motivation in the prior art. Appellants note that care must be taken to not use "the inventor's

disclosure as a blueprint for piecing together the prior art to defeat patentability - the essence of hindsight." In re Dembiczak (No. 98-1498) (Fed. Cir. 1999); Interconnect Planning Corp. v. Feil, 227 USPQ 543, 547 (Fed. Cir. 1985). In other words, the teaching to make the claimed combination must be found in the prior art, and cannot be based on an applicant's disclosure. MPEP 2143.01. In re Mills, 16 USPQ2d 1430, 1432 (Fed. Cir. 1990).

Appellants note that neither Logan nor the cited publication address or suggest in any way the need or desirability "to increaser the amount of credit available to the customer, thereby enticing the customer to spend more at the merchant". This is likely because neither reference discloses or suggests any way to do so, nor the desirability of doing so.

In addition to not providing a motivation to combine these references, the proposed motivation or benefit for the combination ("to increaser the amount of credit available to the customer, thereby enticing the customer to spend more at the merchant ") still fails to recognize the limitation that the at least one item is sold to the customer for less than the total price.

Since neither Logan nor the cited publication disclose or suggest the limitations of claim **56**, neither Logan nor the cite publication possess the advantages conferred by those limitations, as discussed in detail above in section 9.2 "Advantages of Claim 56". Accordingly, for at least those reasons, claims **56** is patentable in view of Logan and the cited publication.

10. The Claim of Group X (Claim **61**) is Allowable Over the Cited References SEPARATE ARGUMENT OF PATENTABILITY

10.1 Independent Claim **61**

Independent claim **61** is directed to a method in which there is received an indication that a customer is willing to make a purchase from a first merchant. Customer information is also received.

In response to the received indication, the customer information is transmitted to a second merchant, and a description of a subsidy is received from the second merchant. An offer for the subsidy from the second merchant is provided before the purchase is consummated.

A response to the offer is received, and if the response indicates acceptance of the offer, the subsidy is applied to the purchase.

10.2 Advantages of Claim **61**

Independent claim **61** clearly includes some limitations similar to those of independent claim **1**, and thus has similar advantages to the advantages described in section 1.2 above. These and other advantages are described in this section.

By transmitting customer information to the second merchant, the second merchant can formulate more attractive offers that it is able and willing to provide the customer.

Also, by providing such offers *before* the purchase is consummated, the customer clearly will be more likely to accept the offer. The customer is about to endure the "pain" of paying herself, and thus *at that moment* the possibility of avoiding this pain is more alluring.

An offer for a benefit *from a second merchant* is advantageous because, but for the offer via the first merchant, the second merchant would not otherwise have had the opportunity to interact with the customer. Consequently, this new opportunity creates economic value for the second merchant.

The method of independent claim **61** can facilitate the advantageous use of the acquisition budgets of various service providers to facilitate electronic commerce. With such a subsidy the customer is charged a reduced price, including nothing at all, for his desired items.

The method of independent claim **61** can, in certain embodiments, facilitate arrangements where the customer may, e.g., sign up or agree to sign up for a service that is provided by the second merchant. (Present application, page 6, lines 2 - 6) Since many service providers are willing to pay significant amounts of money (e.g. often $50 to $200) to acquire a new customer, the ability to acquire a customer by essentially "intervening" in a sale between others can benefit all parties involved. The customer is benefited by the reduced price of his items, the original merchant is benefited by the increased sales that such an arrangement would bring and / or happier customers, and the second merchant is benefited by the acquisition of a customer. (Present application, page 6, lines 7 - 12)

It is advantageous that the customer must provide a *response to the offer*. The customer feels more tied to both the transaction. By contrast, something which need not be accepted, like an advertisement, may be ignored by a customer, resulting in no benefit to the advertiser. For precisely this reason, advertising typically yields low returns to the advertiser, and consequently advertisers are not willing to pay much at all for advertising segments.

10.3 The Logan patent

The Examiner has relied exclusively on Logan in the rejection of the claim of Group X. However, none of the references cited by the Examiner, either alone or in combination, disclose or suggest all of independent claim **61**.

Logan has been described in detail above.

10.4 No Interpretation of Logan Renders Any Claim Anticipated or Obvious

The inapplicability of Logan to independent claim **1** has been discussed in detail above, and many of those arguments are equally applicable to the erroneous nature of the rejection of independent claim **61**.

As discussed in detail below, Logan does not disclose or suggest

receiving an indication of at least one item that a customer is willing to make a purchase from a first merchant

Nothing in Logan discloses or suggests that when a *customer is willing to make a purchase* is at all used. In fact, such an indication would not benefit the system of Logan.

The Examiner also concedes that Logan does not disclose or suggest

transmitting, in response to the indication, customer information to a second merchant

Such a feature has no use to the system of Logan.

The Examiner seems to have ignored the limitation, not disclosed or suggested by Logan of:

receiving, from the second merchant, a description of a subsidy

To the extent anything is received from the second merchant, it is not a *description of a subsidy*, nor has the Examiner alleged otherwise.

Logan also does not disclose or suggest

providing an offer for the subsidy from the second merchant, the step of providing the offer being performed before the purchase is consummated

No offers are provided in Logan, much less an *offer for a subsidy*, much less an offer provided *before* the purchase is consummated.

Logan also does not disclose or suggest

receiving a response to the offer

Since there are no offers in Logan, there is no response to an offer. Nothing the subscriber does in Logan can be considered a *response to an offer.*

Finally, Logan also does not disclose or suggest

applying the subsidy to the purchase if the response indicates acceptance of the offer

Since there is no offer and no response in Logan, there is no applying a subsidy to the purchase *if the response indicates acceptance of the offer.*

As described above, the Examiner has proposed two possible interpretations of Logan in an attempt to contort Logan to "disclose" limitations of various claims, including claim **61**. Both interpretations fail to do so, and consequently the Examiner has failed to make a prima facie case of unpatentability.

(These limitations are likewise not disclosed or suggested by the other references of record, and the Examiner has not suggested otherwise.)

Appellants note initially that since Logan does not disclose or suggest various limitations of claim **61**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 10.2 "Advantages of Claims 61". Accordingly, for at least those reasons, independent claim **61** is patentable in view of Logan.

10.4.1 Interpretation A of Logan

As described above, Interpretation A of Logan is generally that the advertising in Logan is considered to be the *offer for a subsidy* of claim **61**, and the presentment of the advertising to the subscriber in Logan to be the *providing* of the offer of claim **61**.

However, the advertising presented to the customer in Logan cannot possibly be *the offer for a subsidy* of claim **61**.

First, the advertising is not an *offer for a subsidy* because there cannot be a *response to the offer from the customer*, which is a limitation of claim **61**. In Logan, the subscriber does not and cannot provide a *response* to the advertisement that is presented. In fact, the subscriber still receives the benefits of the advertising (credit) even when she ignores the advertising.

Second, the advertising is not an *offer for a subsidy* because there cannot be a response to the offer *that indicates acceptance of the offer*, which is a limitation of claim **61**. In Logan the advertising is not something that can be accepted or not accepted. It is simply presented, and is not intended to be in any way interactive, much less an offer to the customer. The subscriber could, for example, ignore the advertising to do something else at her computer or even walk away from her computer.

One might tentatively propose that the subscriber's selection of desired advertising parameters could be considered the *response* and / or the *response which indicates acceptance of the offer* as required by claim **61**. However, as described above the subscriber's selection of desired advertising parameters of course occurs *before* any advertising that results from these selections, and accordingly cannot be a *response to* that advertising.

Another deficiency in Examiner's Interpretation A of Logan is that Logan does not disclose or suggest *applying the subsidy to the purchase if the response indicates acceptance of the offer*. In Logan there is no *response,* much less a *response indicating acceptance* of the advertising, as discussed above. Further, since in Logan the charging of a lesser amount occurs even if the subscriber ignores the advertisement, in Logan the lesser amount is not charged *if the response indicates acceptance of the offer*. In contrast, the lesser amount is charged regardless of "acceptance". To interpret Logan as *applying the subsidy* in accordance with independent claim **61** would be to ignore the limitation that the subsidy is applied only *if the response indicates acceptance of the offer*.

10.4.2 Interpretation B of Logan

As discussed above, Interpretation B proposes that the ability in Logan to select advertising preferences and / or the fact that such advertising can reduce subscriber charges is the *offer for a subsidy* of claim **61**.

The ability of the subscriber in Logan to indicate general preferences with respect to advertising cannot be *the offer* of claim **61** because there is no disclosure or suggestion in Logan that anything is "offered" to the subscriber. Logan discloses only that the subscriber has the ability to indicate or alter general preferences with respect to advertising, not that such an ability is "offered" to the subscriber visually, audibly or any other way.

Thus, Interpretation A and Interpretation B of Logan both fail to disclose or suggest significant limitations of independent claim **61**.

Further, even if either reference did disclose or suggest *verifying whether the customer information is accurate*, which they do not, Logan may not properly be modified as proposed by the Examiner (on pages 8 - 9 of the First Office Action and again on page 10 of the Final Office Action) because there is absolutely no motivation in the prior art to modify or combine the references in the way suggested by the Examiner. In fact, the Examiner has not even provided any motivation that may be found in the record, despite applicants request.

The rejection of claim **61** rests on unsupported assertion that "one would have been motivated to provide the customer information after receiving the indication that the customer is willing to purchase an item in order to allow new customers, whose information was just being collected, to participate in the customized offer system".

Since the record is devoid of any such evidence (as well as other evidence on which the Examiner based various rejections), Appellants requested a reference to describe the subject matter in more detail. (Appellants' Response to First Office Action, pages 2 - 3). No reference was provided to support this assertion.

Although the Examiner did not explicitly refer to such subject matter as Officially Noted, it nevertheless is an assertion, used as a primary basis in the rejection of claim **61**, which has no support in the record at all, much less support by substantial evidence.

At least because there is no substantial evidence in the record to support the motivation to modify Logan, the rejection is improper.

Further, obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. MPEP 706.02(j). In re Fine, 5 USPQ2d 1596 (Fed. Cir. 1988); In re Jones, 21 USPQ2d 1941 (Fed. Cir. 1992).

According to the Examiner, it would have been obvious to modify Logan "in order to allow new customers, whose information was just being collected, to participate in the customized offer system". This falls far short of a motivation to combine the system disclosed in Logan in the manner proposed.

Appellants respectfully suggest that this motivation (i.e., in order to allow new customers, whose information was just being collected, to participate in the customized offer system) is merely a beneficial result made possible by the present invention. The fact that a combination of elements has a beneficial result does not make the combination unpatentable. Instead, "[t]hat an inventor has probed the strengths and weaknesses of the prior art and discovered an improvement that escaped those who came before is indicative of unobviousness, not obviousness." Fromson v. Anitec Printing Plates, Inc., 45 USPQ 2d 1269, 1276 (Fed. Cir. 1997), *cert. denied*, 119 S. Ct. 56 (1998).

The Examiner's modification of Logan seems to use impermissible hindsight reconstruction absent some real and specific teaching, suggestion, or motivation in the prior art. Appellants note that care must be taken to not use "the inventor's disclosure as a blueprint for piecing together the prior art to defeat patentability - the essence of hindsight." In re Dembiczak (No. 98-1498) (Fed. Cir. 1999); Interconnect Planning Corp. v. Feil, 227 USPQ 543, 547 (Fed. Cir. 1985). In other words, the teaching to make the claimed combination must be found in the prior art, and cannot be based on an applicant's disclosure. MPEP 2143.01. In re Mills, 16 USPQ2d 1430, 1432 (Fed. Cir. 1990).

Appellants note that neither Logan nor any other reference of record addresses or suggests in any way the need to "allow new customers, whose information was just being

collected, to participate in the customized offer system". Instead, "by defining the inventor's problem in terms of its solution, the [Examiner] missed [the] necessary antecedent question, namely, whether the prior art contains a suggestion or motivation to combine references." Monarch Knitting Machinery Corp. v. Sulzer Morat GmbH, 45 USPQ 2d 1977, 1981-82 (Fed. Cir. 1998).

In addition to not providing a motivation to combine these references, such a "motivation" is contrary to Logan. Logan does not disclose or suggest that advertisers (which the Examiner erroneously considers to be the second merchant) need customer information. On the contrary, advertisers have no active part in Logan, and certainly do not need or use customer information at all, and have no communication whatsoever with the subscriber. The host server 101 stores and maintains, among other things advertising segments 135 for transfer to the player device 103. (Col. 4, lines 15 - 27) Thus the advertisers do not "provide an offer targeted to the customer" - only the host system 101 does.

Finally, the proposed motivation "to allow new customers, whose information was just being collected, to participate in the customized offer system" does not seem to even result from the "obvious" modifications of

transmitting, in response to the indication, customer information to a second merchant and

receiving, from the second merchant, a description of a subsidy

Since the proposed modifications themselves are not even related to the proposed "motivation", and do not in any way follow from the proposed "motivation", the modifications are not proper.

Since neither Logan nor any other reference discloses or suggests the limitations of claim **61**, Logan does not possess the advantages conferred by those limitations, as discussed in detail above in section 10.2 "Advantages of Claim 61". Accordingly, for at least those reasons, claim **61** is patentable in view of Logan.

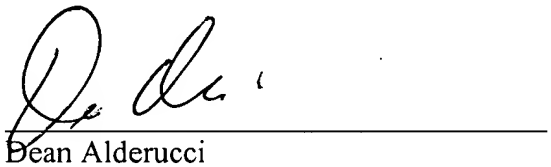
CONCLUSION

Thus, the Examiner's rejection of the pending claims are is improper at least because the references, alone or in combination, do not disclose or suggest the limitations of any claim. In addition, in the obviousness rejections the Examiner has improperly combined the references because there is no adequate reasoning or support for making the proposed combination. Therefore, Appellants respectfully request that the Examiner's rejections be reversed.

If any issues remain, or if there are any further suggestions for expediting allowance of the present application, please contact Dean Alderucci using the information provided below.

Appellants hereby request any extension of time that may be required to make this Appeal Brief timely. Please charge any fees that may be required for this paper, or credit any overpayment, to Deposit Account No. 50-0271.

Respectfully submitted,



February 14, 2003
Date

Dean Alderucci
Attorney for Appellants
Registration No. 40,484
Alderucci@WalkerDigital.com
(203) 461-7337 /voice
(203) 461-7300 /fax

APPENDIX A
CLEAN COPY OF CLAIMS INVOLVED IN THE APPEAL

1. A method, comprising:

receiving an indication of at least one item that a customer is to purchase from a first merchant via a web site;

providing, in response to the received indication, an offer for a benefit from a second merchant, the step of providing the offer being performed before the at least one item is purchased;

receiving from the customer a response to the offer; and

applying the benefit to the at least one item if the response indicates acceptance of the offer.

2. The method of claim 1, further comprising:

receiving customer information.

3. The method of claim 2, in which the customer information comprises:

a service that is provided to the customer.

4. The method of claim 2, in which the customer information comprises:

a service provider that provides a service to the customer.

5. The method of claim 2, in which the step of providing an offer for a benefit from a second merchant comprises:

selecting a merchant from a plurality of merchants based on the customer information received from the customer; and

providing an offer for a benefit from the selected merchant.

6. The method of claim 2, in which the step of providing an offer for a benefit from a second merchant comprises:

selecting the benefit based on the customer information received from the customer.

7. The method of claim 2, in which the step of receiving customer information comprises:

requesting that the customer provide customer information; and

receiving, in response to the step of requesting, customer information from the customer.

8. The method of claim 7, in which the step of requesting that the customer provide customer information comprises:

transmitting to the customer at least one question to be answered.

9. The method of claim 8, in which the step of receiving customer information from the customer comprises:

receiving at least one answer to the at least one question.

10. The method of claim 2, further comprising:

verifying whether the customer information is accurate.

11. The method of claim 10, further comprising:

assessing a penalty against the customer if the customer information is not accurate.

12. The method of claim 11, in which the step of assessing the penalty comprises:

canceling the benefit if the customer information is not accurate.

13. The method of claim 11, in which the step of assessing the penalty comprises:

charging a penalty fee to the customer if the customer information is not accurate.

14. The method of claim 10, in which the step of verifying is performed before the purchase is consummated.

15. The method of claim 2, in which the step of providing the offer is performed after the customer information is received.

16. The method of claim 15, in which the step of providing the offer is performed based on the customer information.

17. The method of claim 1, further comprising:

receiving customer information from a party other than the customer.

18. The method of claim 2, in which the step of receiving customer information comprises:

receiving information regarding at least one of:

a location of the customer, and

an Internet address of the customer.

19. The method of claim 1, in which the step of applying the benefit comprises:

reducing a price of the at least one item.

20. The method of claim 19, in which the step of reducing the price comprises:

reducing the price of the at least one item by a predetermined amount.

21. The method of claim 20, in which the step of reducing the price comprises:

reducing the price of the at least one item by a predetermined amount if the price of the at least one item is greater than the predetermined amount.

22. The method of claim 19, in which the step of reducing the price comprises:

reducing the price of the at least one item by a predetermined percentage.

23. The method of claim 19, in which the step of reducing the price comprises:

reducing the price of the at least one item to zero.

24. The method of claim 1, in which the step of applying the benefit comprises:

selling the at least one item to the customer for a first price if the response indicates rejection of the offer; and

selling the at least one item to the customer for a second price if the response indicates acceptance of the offer, the second price being less than the first price.

25. The method of claim 24, in which the second price is a predetermined amount less than the first price.

26. The method of claim 25, in which the second price is a predetermined amount less than the first price if the first price is greater than the predetermined amount.

27. The method of claim 24, in which the second price is a predetermined percentage less than the first price.

28. The method of claim 1, in which the step of applying the benefit comprises:

providing the at least one item to the customer without charge if the response indicates acceptance of the offer.

29. The method of claim 1, further comprising:

requesting that the customer participate in a transaction with the second merchant.

30. The method of claim 29, in which the step of requesting that the customer participate in a transaction with the second merchant comprises:

requesting that the customer initiate a service agreement with the second merchant.

31. The method of claim 1, further comprising:

receiving an indication of agreement to participate in a transaction with the second merchant.

32. The method of claim 1, further comprising:

facilitating a transaction with the second merchant.

33. The method of claim 32, in which the step of facilitating the transaction with the second merchant comprises:

determining a service provider that provides a service to the customer.

34. The method of claim 33, in which the step of facilitating the transaction with the second merchant comprises:

canceling a service agreement with the service provider.

35. The method of claim 33, in which the step of facilitating the transaction with the second merchant comprises:

initiating a new service agreement so that the service is provided by the second merchant.

36. The method of claim 33, in which the step of determining a service provider that provides a service to the customer comprises:

determining whether the service is provided by the second merchant.

37. The method of claim 32, in which the step of facilitating the transaction with the second merchant comprises:

switching providers of a service that is provided to the customer.

38. The method of claim 37, in which the service comprises at least one of:

telephone service,

Internet service,

banking services,

credit card account services,

insurance service,

securities trading service,

satellite television service, and

cable television service.

39. The method of claim 32, in which the step of facilitating the transaction with the second merchant comprises:

initiating a new service agreement so that a service is provided to the customer.

40. The method of claim 39, in which the service comprises at least one of:

telephone service,

Internet service,

banking services,

credit card account services,

insurance service,

securities trading service,

satellite television service, and

cable television service.

41. The method of claim 1, in which the step of providing an offer is performed only if a price of the at least one item is greater than a predetermined threshold.

42. The method of claim 1, in which the step of providing an offer is performed only if a predetermined rule is satisfied.

43. The method of claim 1, in which the step of providing an offer for a benefit from a second merchant comprises:

providing a plurality of offers for benefits from at least one merchant.

44. The method of claim 43, further comprising:

receiving from the customer a selection of an offer of the plurality of offers.

45. The method of claim 1, in which the step of providing an offer for a benefit from a second merchant comprises:

selecting a merchant from a plurality of merchants; and

providing an offer for a benefit from the selected merchant.

46. The method of claim 1, in which the benefit is based on the at least one item.

47. The method of claim 46, in which the benefit is based on a price of the at least one item.

48. The method of claim 1, in which the step of providing an offer for a benefit from a second merchant comprises:

selecting a benefit from a plurality of benefits based on the at least one item.

49. The method of claim 1, further comprising:

receiving an amount of payment from the second merchant if the response indicates acceptance of the offer.

50. The method of claim 1, in which the benefit is based on the amount of payment.

51. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the received indication, an offer for a subsidy, the step of providing the offer being performed before the item is purchased;

receiving from the customer a response to the offer; and

charging an amount that is less than the total price if the response indicates acceptance of the offer.

52. The method of claim 51, in which the step of charging comprises:

charging an amount that is less than the total price to a credit card account of the customer.

53. The method of claim 51, further comprising:

receiving payment from a second merchant if the response indicates acceptance of the offer.

54. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the received indication, an offer for a reduction in the total price, the step of providing the offer being performed before the at least one item is purchased;

receiving from the customer an acceptance of the offer; and

selling the at least one item to the customer for less than the total price.

55. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the indication, an offer for a subsidy from a second merchant in exchange for agreeing to perform a transaction with the second merchant, the step of providing the offer being performed before the at least one item is purchased;

receiving from the customer an acceptance of the offer;

facilitating the transaction with the second merchant;

receiving a request to revoke the acceptance before the at least one item is purchased; and

canceling the second transaction.

56. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the received indication, an offer for a reduction in the total price in exchange for applying for a credit card account with a credit card issuer, the step of providing the offer being performed before the at least one item is purchased;

receiving, from the customer, an indication of willingness to apply for a credit card account; and

selling the at least one item to the customer for less than the total price.

57. The method of claim 56, in which the step of receiving, from the customer, an indication of willingness to apply for a credit card account comprises:

receiving, from the customer, information for use in applying for a credit card account.

58. The method of claim 57, further comprising:

transmitting to the customer a form for receiving information for use in applying for a credit card account.

59. The method of claim 56, further comprising:

determining whether the customer already has a credit card account with the credit card issuer.

60. The method of claim 59, in which the step of providing the offer is only performed if it is determined that the customer does not already have a credit card account with the credit card issuer.

61. A method, comprising:

receiving an indication that a customer is willing to make a purchase from a first merchant;

receiving customer information;

transmitting, in response to the indication, customer information to a second merchant;

receiving, from the second merchant, a description of a subsidy;

providing an offer for the subsidy from the second merchant, the step of providing the offer being performed before the purchase is consummated;

receiving a response to the offer; and

applying the subsidy to the purchase if the response indicates acceptance of the offer.

62. A method, comprising:

generating an interface for allowing a customer to access a web site that permits purchases from a first merchant, the interface including a button;

receiving a first indication that a customer is willing to make a purchase from a first merchant;

activating the button in response to receiving the indication;

receiving a signal that the customer has clicked the button;

providing, in response to the received signal, an offer for a subsidy from a second merchant, the step of providing the offer being performed before the purchase is consummated;

receiving from the customer a response to the offer; and

applying the subsidy to the purchase if the response indicates acceptance of the offer.

63. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the received indication, an offer for a reduction in the total price in exchange for applying for a credit card account with a credit card issuer, the step of providing the offer being performed before the at least one item is purchased;

receiving, from the customer, an indication of willingness to apply for a credit card account;

selling the at least one item to the customer for less than the total price; and

charging the credit card issuer for an amount of payment.

64. (AMENDED) The method of claim 63, in which the step of selling comprises:

selling the at least one item to the customer for an amount that is based on a difference between the total price and the amount of payment charged to the credit card issuer.

APPENDIX B

CHART SHOWING CLAIM DEPENDENCIES

Claims **1, 51, 54-56, 61-63** are independent.

Claims **1-64** are pending.

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APPENDIX C

INDEPENDENT CLAIMS INVOLVED IN THE APPEAL

Claims **1, 51, 54-56, 61-63** are independent.

1. A method, comprising:

receiving an indication of at least one item that a customer is to purchase from a first merchant via a web site;

providing, in response to the received indication, an offer for a benefit from a second merchant, the step of providing the offer being performed before the at least one item is purchased;

receiving from the customer a response to the offer; and

applying the benefit to the at least one item if the response indicates acceptance of the offer.

51. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the received indication, an offer for a subsidy, the step of providing the offer being performed before the item is purchased;

receiving from the customer a response to the offer; and

charging an amount that is less than the total price if the response indicates acceptance of the offer.

54. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the received indication, an offer for a reduction in the total price, the step of providing the offer being performed before the at least one item is purchased;

receiving from the customer an acceptance of the offer; and

selling the at least one item to the customer for less than the total price.

55. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the indication, an offer for a subsidy from a second merchant in exchange for agreeing to perform a transaction with the second merchant, the step of providing the offer being performed before the at least one item is purchased;

receiving from the customer an acceptance of the offer;

facilitating the transaction with the second merchant;

receiving a request to revoke the acceptance before the at least one item is purchased; and

canceling the second transaction.

56. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the received indication, an offer for a reduction in the total price in exchange for applying for a credit card account with a credit card issuer, the step of providing the offer being performed before the at least one item is purchased;

receiving, from the customer, an indication of willingness to apply for a credit card account; and

selling the at least one item to the customer for less than the total price.

61. A method, comprising:

receiving an indication that a customer is willing to make a purchase from a first merchant;

receiving customer information;

transmitting, in response to the indication, customer information to a second merchant;

receiving, from the second merchant, a description of a subsidy;

providing an offer for the subsidy from the second merchant, the step of providing the offer being performed before the purchase is consummated;

receiving a response to the offer; and

applying the subsidy to the purchase if the response indicates acceptance of the offer.

62. A method, comprising:

generating an interface for allowing a customer to access a web site that permits purchases from a first merchant, the interface including a button;

receiving a first indication that a customer is willing to make a purchase from a first merchant;

activating the button in response to receiving the indication;

receiving a signal that the customer has clicked the button;

providing, in response to the received signal, an offer for a subsidy from a second merchant, the step of providing the offer being performed before the purchase is consummated;

receiving from the customer a response to the offer; and

applying the subsidy to the purchase if the response indicates acceptance of the offer.

63. A method, comprising:

receiving an indication of at least one item that a customer is ready to purchase from a merchant via a web site, the at least one item having an associated total price;

providing, in response to the received indication, an offer for a reduction in the total price in exchange for applying for a credit card account with a credit card issuer, the step of providing the offer being performed before the at least one item is purchased;

receiving, from the customer, an indication of willingness to apply for a credit card account;

selling the at least one item to the customer for less than the total price; and

charging the credit card issuer for an amount of payment.